

"MULTIEMPLOYER PLAN" shall mean a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding six (6) years was, contributed to by any Borrower or an ERISA Affiliate.

"NET INCOME" shall mean, with respect to any Person for any period, the net income (loss) of such Person determined in accordance with GAAP.

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"NOTE" shall mean any Revolving Loan Note, any Term A Loan Note or any Term B Loan Note.

"NOTICE OF BORROWING" shall mean a notice substantially in the form of EXHIBIT H-1 attached hereto.

"NOTICE OF CONVERSION/CONTINUATION" shall have the meaning given to such term in SECTION 2.06(b).

"OBLIGATIONS" shall mean all the obligations of any Borrower now or hereafter existing under this Agreement or any other Loan Document to which any Borrower is a party, whether for principal, interest, fees, expenses, reimbursement, indemnification or otherwise. Obligations shall include, without limitation, all interest, charges, expenses, fees, attorneys' fees and disbursements, and paralegals' fees which accrue after the commencement of any case or proceeding in bankruptcy after the insolvency of, or for the reorganization of any Borrower, whether or not allowed in such proceeding, and Obligations shall not include any reimbursement obligations with respect to Excluded Letters of Credit.

"PAYMENT ACCOUNT" shall mean the Agent's account at First Union National Bank, ABA No. 053000219, Account # 5000000016905, KMC reference: Payment Account.

"PAYMENT DATE" shall mean the first day of January, April, July and October in each calendar year, but if any such date is not a Business Day, the next succeeding Business Day, commencing April 3, 2000.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"PERIODIC REPORTING CERTIFICATE" shall mean a periodic reporting certificate in the form of EXHIBIT F attached hereto.

"PERMITTED ACQUISITION" shall have the meaning set forth in SECTION 6.08 hereof.

"PERMITTED LIENS" shall have the meaning set forth in SECTION 6.01 hereof.

"PERSON" shall mean any natural person, corporation, division of a corporation, business trust, joint venture, association, company, partnership, unincorporated organization or other legal entity, or a government or any agency or political subdivision thereof.

"PLAN" shall mean any employee benefit plan as defined in Section 3(3) of ERISA (other than a Multiemployer Plan) in respect of which any Borrower or any ERISA Affiliate is, or within the immediately preceding six (6) years was, an "employer" as defined in Section 3(5) of ERISA.

"PLEDGE AGREEMENT" shall mean a pledge agreement substantially in the form of the pledge agreements executed and delivered pursuant to the Existing Agreement, copies of which are attached as EXHIBIT L hereto.

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"PREPAYMENT PREMIUM" shall mean (A) for the Revolving Loans, (i) with

respect to the period commencing on the Closing Date and ending on February 1, 2001, one and one-half percent (1.5%) of the amount prepaid, (ii) with respect to the period commencing thereafter and ending on February 1, 2002, one-half percent (0.5%) of the amount prepaid, and (iii) at all times thereafter, zero percent (0%), and (B) for the Term A Loans and the Term B Loans, (i) with respect to the period commencing on the Closing Date and ending on February 1, 2001, two percent (2.0%) of the amount prepaid, (ii) with respect to the period commencing thereafter and ending on February 1, 2002, one percent (1.0%) of the amount prepaid, and (iii) at all times thereafter, zero percent (0%).

"PRINCIPAL PAYMENTS" shall mean, for any period, total required Debt amortization (including, without limitation, the principal payments attributable to capital leases) determined on a combined basis, without duplication, for the Borrowers in accordance with GAAP.

"PRO RATA SHARE" shall mean with respect to all matters relating to any Lender (a) with respect to the Revolving Loans and the Letters of Credit, the percentage obtained by dividing (1) at any time on or prior to the Revolving Credit Commitment Termination Date, the Revolving Loan Commitment Amount of such Lender by the aggregate Revolving Loan Commitment Amount of all Lenders, and (2) at any time after the Revolving Credit Commitment Termination Date, the aggregate outstanding principal balance of the sum of the Revolving Loans held by that Lender plus the Letters of Credit Obligations incurred by such Lender by the sum of the aggregate outstanding principal balance of the Revolving Loans held by all Lenders plus the aggregate Letter of Credit Obligations incurred by all the Lenders, (b) with respect to the Term A Loans, the percentage obtained by dividing the aggregate outstanding principal balance of the Term A Loans held by that Lender, by the aggregate outstanding principal balance of the Term A Loans held by all Lenders, and (c) with respect to the Term B Loans, the percentage obtained by dividing (1) at any time on or prior to the Term B Loan Commitment Termination Date, the Term B Loan Commitment Amount of that Lender by the Term B Loan Commitment Amount of all Lenders, and (2) at any time after the Term B Loan Commitment Termination Date, the aggregate outstanding principal balance of the Term B Loans held by that Lender, by the aggregate outstanding principal balance of the Term B Loans held by all Lenders.

"PUC" shall mean any state Governmental Authority having utility or telecommunications regulatory authority over any Borrower or any System.

"PURCHASE DEBT" shall have the meaning given to such term in SECTION 6.13(iv).

"QUALIFIED INTERCOMPANY LOAN" shall mean a loan to a Borrower from KMC Holdings, which loan is expressly subordinated to the Obligations on terms and conditions satisfactory to the Agents, has a maturity date occurring on or after the third annual anniversary of the Term Loan Termination Date, and requires no cash payment of principal or interest prior to the scheduled maturity date of such loan.

"REAL PROPERTY" shall have the meaning given to such term in SECTION 3.20 hereof.

"REFERENCE BANK" shall mean First Union National Bank.

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"REGISTER" shall have the meaning given to such term in SECTION 11.08(C)(iii).

"RELEASE" shall mean any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the environment or into or out of any property, including the movement of Contaminants through or in the air, soil, surface water, groundwater or property.

"REMEDIAL ACTION" shall mean actions required to (1) clean up, remove, treat or in any other way address Contaminants in the environment; (2) prevent the Release or threat of Release or prevent or minimize the further Release of Contaminants so they do not migrate or endanger or threaten to endanger public

health or welfare or the environment; or (3) perform preresidential studies and investigations and postremedial monitoring and care.

"REPORTABLE EVENT" shall mean any reportable event as defined in Section 4043 of ERISA unless the reporting requirement with respect to such reportable event has been waived by the PBGC or other appropriate Governmental Authority.

"REQUIRED CONTRIBUTION" shall mean cash capital contributions to the Borrowers from KMC Holdings in such amount as is necessary to fully fund the Milestone Plan, but in any event at least \$185,000,000.

"REQUISITE LENDERS" shall mean (1) as long as one Lender holds thirty-three and one-third percent (33 1/3%) or more of the Term B Loan Commitment Amounts, Lenders who collectively hold at least seventy five percent (75%) of the sum of the following amounts: (i) the Aggregate Revolving Loan Commitment Amounts until such commitments expire or terminate, and thereafter, the aggregate outstanding balance of the Revolving Loans; (ii) the aggregate outstanding balance of the Term A Loans; and (iii) the aggregate Term B Loan Commitment Amounts until such commitments expire, terminate or are fully drawn upon, and thereafter, the aggregate outstanding balance of the Term B Loans; and (2) thereafter, Lenders who hold at least sixty-six and two-thirds percent (66 2/3%) of the sum of the amounts listed above.

"REQUISITE REVOLVING LENDERS" shall mean (a) Lenders having at least sixty-six and two-thirds percent (66 2/3%) of the aggregate Revolving Loan Commitment Amount of all Lenders, or (b) if the Revolving Loan Commitment has been terminated, at least sixty-six and two-thirds percent (66 2/3%) of the aggregate outstanding amount of the sum of all Revolving Loans plus Letter of Credit Obligations incurred by all the Lenders.

"REVOLVING CREDIT COMMITMENT TERMINATION DATE" shall mean April 1, 2007.

"REVOLVING LENDERS" shall mean, as of any date of determination on or prior to the Revolving Credit Commitment Termination Date, Lenders having a Revolving Loan Commitment Amount, and thereafter Lenders having outstanding Revolving Loans or Letter of Credit Obligations.

"REVOLVING LOAN" shall mean any loan made to the Borrower pursuant to the provisions of SECTION 2.01(b) below.

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"REVOLVING LOAN COMMITMENT AMOUNT" shall mean (a) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make Revolving Loans and/or incur Letter of Credit Obligations as set forth opposite such Revolving Lender's name on ANNEX A to this Agreement or in the most recent Assignment Agreement executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make Revolving Loans and/or incur Letter of Credit Obligations, which aggregate commitment shall be One Hundred Seventy-Five Million Dollars (\$175,000,000) on the Closing Date, as such amount may be adjusted from time to time in accordance with this Agreement.

"REVOLVING LOAN NOTE" shall mean a promissory note of the Borrower delivered under the Existing Agreement and substantially in the form of EXHIBIT E-1 attached hereto.

"SOLVENT" shall mean, at any time of determination, with respect to any Person:

(i) the assets of such Person, at a fair valuation, are in excess of the total amount of its debts (including, without limitation, contingent liabilities); and

(ii) the present fair saleable value of its assets is greater than its probable liability on its existing debts as such debts become absolute and

matured; and

(iii) it is then able and expects to be able to pay its debts (including, without limitation, contingent debts and other commitments) as they mature; and

(iv) it has capital sufficient to carry on its business as conducted.

For purposes of determining whether a Person is Solvent, the amount of any contingent liability shall be computed as the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or mature liability.

"SUBSIDIARY" shall mean, with respect to any Person, any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organized or acquired, (i) in the case of a corporation, of which more than 50% of the total voting power of the Equity Interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, officers or trustees thereof is held by such Person or any of its Subsidiaries; or (ii) in the case of a partnership, joint venture, association or other business entity, with respect to which such Person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise or if in accordance with GAAP such entity is consolidated with the such Person for financial statement purposes.

"SUPPORTING LETTER OF CREDIT" shall have the meaning given to such in SECTION 2.10(j).

"SWITCH EQUIPMENT" shall mean any Lucent 5-ESS telecommunications switch or other telecommunications/data switch for the provision of CLEC telephony service, data transport, internet access and other related services.

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"SYNDICATION AGENT" shall mean Canadian Imperial Bank of Commerce.

"SYSTEM" shall mean each telephone, telecommunications or information system (including, without limitation, any voice, video transmission, data or Internet services) and any related, ancillary or complementary services, as described in the Milestone Plan, and all replacements, enhancements or additions thereto.

"TAX SHARING AGREEMENT" shall mean that certain Tax Allocation Agreement dated as of December 18, 1998 among KMC Holdings, the Borrowers, KMC Telecom Financing, Inc., a Delaware corporation, and KMC Financial Services, LLC, a Delaware limited liability company, as amended by Amendment Nos. 1, 2 and 3 thereto.

"TAXES" shall mean any and all license, documentation, recording and registration fees, and all taxes, including, without limitation, income (other than net income taxes, franchise taxes and capital taxes imposed on the Lenders, the Agent or the Collateral Agent other than by withholding), gross receipts, sales, value-added, use, excise, personal property (tangible and intangible), real estate and stamp, documentary, transfer or recording taxes, levies, imposts, deductions, duties, assessments, fees, charges, and withholdings of any nature whatsoever, whether or not presently in existence, together with any penalties, fines, additions to tax, or interest thereon, imposed by any taxing authority or other Governmental Authority.

"TELECOMMUNICATIONS EQUIPMENT" shall mean fiber optic cable, Switch Equipment, transmission equipment and other ancillary hardware necessary for the installation and operation of a switch room or central office and co-location with other telecommunications providers that will enable a Borrower to offer CLEC telephony, data transport, internet access and other related state-of-the-art telecommunications services, as well as all software associated with the network operating center and back office systems (including, without limitation, billing systems, operations systems and support, customer service and data services) and other related software and hardware products integral to

developing and operating viable CLEC telephony, data transport, internet access and related state of the art telecommunications businesses, together with all related support, construction and installation costs associated with an operational system, provided that such costs are capitalized in accordance with GAAP.

"TERM A LENDERS" shall mean those Lenders who have made Term A Loans.

"TERM A LOAN" shall mean any loan made to the Borrowers pursuant to SECTION 2.01(a) of the Existing Agreement and which under the Existing Agreement was characterized as a "Term Loan".

"TERM A LOAN COMMITMENT AMOUNT" shall mean (a) as to any Term A Lender, the commitment of such Term A Lender to make a Term A Loan under the Existing Agreement, which commitment has been fully drawn upon, as set forth opposite such Term A Lender's name on Annex A to this Agreement and (b) as to all Term A Lenders, the aggregate commitment of all Term A Lenders to make Term A Loans under the Existing Agreement, which commitment has been fully drawn upon.

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"TERM A LOAN NOTE" shall mean a promissory note of a Borrower delivered under the Existing Agreement and substantially in the form of EXHIBIT E-2 attached hereto.

"TERM A LOAN TERMINATION DATE" shall mean July 1, 2007.

"TERM B LENDERS" shall mean those Lenders having Term B Loan Commitment Amounts or who have made Term B Loans.

"TERM B LOAN" shall mean any loan made to the Borrowers pursuant to SECTION 2.01(a) below.

"TERM B LOAN COMMITMENT AMOUNT" shall mean (a) as to any Term B Lender, the commitment of such Term B Lender to make Term B Loans as set forth opposite such Term B Lender's name on ANNEX A to this Agreement or in the most recent Assignment Agreement executed by such Term B Lender and (b) as to all Term B Lenders, the aggregate commitment of all Term B Lenders to make Term B Loans, which aggregate commitment shall be Four Hundred Fifty Million Dollars (\$450,000,000) on the Closing Date; PROVIDED, HOWEVER, that until such time as both the Required Contribution has been made and the ratio of Total Debt to Contributed Capital becomes equal to or less than 1.0 to 1.0, the aggregate commitment of all Term B Lenders to make Term B Loans shall not exceed Three Hundred Fifty Million Dollars (\$350,000,000) and the commitment of each Term B Lender shall be proportionately reduced from the amount set forth opposite such Term B Lender's name on ANNEX A to this Agreement or in the most recent Assignment Agreement executed by such Term B Lender.

"TERM B LOAN COMMITMENT TERMINATION DATE" shall mean the second annual anniversary of the Closing Date.

"TERM B LOAN NOTE" shall mean a promissory note of a Borrower substantially in the form of EXHIBIT E-3 attached hereto.

"TERM B LOAN TERMINATION DATE" shall mean July 1, 2007.

"TERM LOAN" shall mean a Term A Loan or a Term B Loan.

"TERMINATION EVENT" shall mean (i) a Reportable Event with respect to a Benefit Plan; (ii) the withdrawal of any Borrower or any ERISA Affiliate from a Benefit Plan during a plan year in which any Borrower or such ERISA Affiliate was a "substantial employer" as defined in Section 4001(a)(2) of ERISA; (iii) the imposition of an obligation on any Borrower or any ERISA Affiliate under Section 4041 of ERISA to provide affected parties written notice of intent to terminate a Benefit Plan in a distress termination described in Section 4041(c) of ERISA; (iv) the institution by the PBGC of proceedings to

terminate a Benefit Plan; (v) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment

of a trustee to administer, any Benefit Plan; or (vi) the partial or complete withdrawal of any Borrower or any ERISA Affiliate from a Multiemployer Plan.

"THIRD PARTY INTERACTIVES" shall mean all Persons with whom any Borrower exchanges data electronically in the ordinary course of business,

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including without limitation, customers, suppliers, third-party vendors, subcontractors, processors-converters, shippers and warehousemen.

"TOTAL DEBT" shall mean, with respect to the Borrowers, at any date, the sum of the following determined on a combined basis, without duplication: (a) all liabilities, obligations and indebtedness for borrowed money, including, but not limited to, obligations evidenced by bonds, debentures, notes or other similar instruments, (b) all obligations to pay the deferred purchase price of property or services (exclusive of any rent for real property pursuant to a lease that would not be capitalized in accordance with GAAP), including, but not limited to, all obligations under non-competition agreements, except trade payables arising in the ordinary course of business not more than ninety (90) days past due, (c) all obligations as lessee under capital leases (exclusive of the interest component thereof), (d) all Debt of any other Person secured by a Lien on any asset of any Borrower, (e) all guaranty obligations, (f) all obligations, contingent or otherwise, relative to the face amount of letters of credit, whether or not drawn and banker's acceptances issued for the account of any Borrower, (g) all obligations to redeem, repurchase, exchange, defease or otherwise make payments in respect of capital stock or other securities at any time prior to the third annual anniversary of the Term A Loan Termination Date, and (h) all termination payments which would be due and payable by any Borrower thereof pursuant to any Interest Rate Agreement or hedging agreement. "Total Debt" shall not include any intercompany Debt between the Borrowers or between any Borrower and KMC Holdings.

"TOTAL LEVERAGE RATIO" shall mean the ratio of (i) Total Debt as of the last day of the most recently ended fiscal quarter, to (ii) the product of (A) two multiplied by (B) EBITDA of the Borrowers on a combined basis, for the most recently ended two fiscal quarters.

"UNUSED LETTER OF CREDIT SUBFACILITY" shall mean an amount equal to the lesser of (i) \$10,000,000 minus the Letter of Credit Obligations, and (ii) the undrawn portion of the Revolving Loan Commitment Amount of all Lenders.

"VOTING STOCK" shall mean securities of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

"YEAR 2000 CORRECTIVE ACTIONS" shall mean, as to each Borrower, all actions necessary to eliminate such Person's Year 2000 Problems, including, without limitation, computer code enhancements and revisions, upgrades and replacements of Year 2000 Date-Sensitive Systems/Components, and coordination of such enhancements, revisions, upgrades and replacements with Third Party Interactives.

"YEAR 2000 CORRECTIVE PLAN" shall mean, with respect to each Borrower, a comprehensive plan to eliminate all of its Year 2000 Problems, including without limitations (i) computer code enhancements or revisions, (ii) upgrades or replacements of Year 2000 Date-Sensitive Systems/Components, (iii) test and validation procedures, (iv) an implementation time line and budget and (v) designation of specific employees who will be responsible for planning, coordinating and implementing each phase or subpart of the Year 2000 Corrective Plan.

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"YEAR 2000 DATE-SENSITIVE SYSTEM/COMPONENT" shall mean, as to any Person, any system software, network software, applications software, database, computer file, embedded microchip, firmware or hardware that accepts, creates,

manipulates, sorts, sequences, calculates, compares or outputs calendar-related data accurately; such systems and components shall include, without limitation, mainframe computers, file server/client system, computer workstations, routers, hubs, other network-related hardware, and other computer-related software, firmware or hardware and information processing and delivery systems of any kind and telecommunications systems and other communications processors, security systems, alarms, elevators and HVAC systems.

"YEAR 2000 IMPLEMENTATION TESTING" shall mean, as to each Borrower, (i) the performance of test and validation procedures regarding Year 2000 Corrective Actions on a unit basis and a system wide basis, (ii) the performance of test and validation procedures regarding data exchanges among the Borrowers' Year 2000 Date-Sensitive Systems/Components and data exchanges with Third Party Interactives, and (iii) the design and implementation of additional Corrective Actions, the need for which has been demonstrated by test and validation procedures.

"YEAR 2000 PROBLEMS" shall mean, with respect to each Borrower, limitations on the capacity or readiness of any such Borrower's Year 2000 Date-Sensitive Systems/Components to accurately accept, create, manipulate, sort, sequence, calculate, compare or output calendar date information with respect to calendar year 1999 or any subsequent calendar year beginning on or after January 1, 2000 (including leap year computations), including, without limitation, exchanges of information among Year 2000 Date-Sensitive Systems/Components of the Borrowers and exchanges of information among the Borrowers and Year 2000 Date-Sensitive Systems/Components of Third Party Interactives and functionality of peripheral interfaces, firmware and embedded microchips.

SECTION 1.03. ACCOUNTING TERMS. Except as otherwise herein specifically provided, each accounting term used herein shall have the meaning given to it under generally accepted accounting principles ("GAAP") applied on a consistent basis.

SECTION 1.04. OTHERS DEFINED IN NEW YORK UNIFORM COMMERCIAL CODE. All other terms contained in this Agreement (and which are not otherwise specifically defined herein) shall have the meanings provided by the Uniform Commercial Code of the State of New York (the "CODE") to the extent the same are used or defined therein.

ARTICLE II LOANS AND LETTERS OF CREDIT

SECTION 2.01. AGREEMENT TO LEND. (a) Each Term B Lender severally agrees, on the terms and conditions hereinafter set forth, to make on and after the Closing Date and until but not including the Term B Loan Commitment

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Termination Date, one or more Term B Loans to the Borrowers in an amount not to exceed the Term B Loan Commitment Amount of such Term B Lender.

(b) Each Revolving Lender severally agrees, on the terms and conditions hereinafter set forth, to make on and after the Closing Date and until but not including the Revolving Credit Commitment Termination Date, one or more Revolving Loans to the Borrowers in an amount not to exceed when combined with Revolving Loans that were made under the Existing Agreement and remain outstanding, the Revolving Loan Commitment Amount of such Revolving Lender less such Lender's Pro Rata Share of the Letter of Credit Obligations.

(c) Term A Loans have been made to the Borrowers in the aggregate amount of \$75,000,000 under the Existing Agreement and constitute the "Term Loans" as defined in the Existing Agreement. No additional Term A Loans shall be made to the Borrowers.

(d) At any time that the Total Leverage Ratio is greater than 6:1 as determined by reference to the financial statements delivered pursuant to SECTION 5.06, the maximum amount of Revolving Loans that may be borrowed from all Revolving Lenders shall not exceed the Borrowing Base.

(d) Term Loans which are repaid or prepaid may not be reborrowed. Revolving Loans which are repaid or prepaid may be reborrowed.

SECTION 2.02. LOANS. (a) The proceeds of the Revolving Loans shall be used by the Borrowers to purchase Telecommunications Equipment, to pay transaction costs incurred in connection with the execution, delivery and performance of the Loan Documents, for financing Permitted Acquisitions and for working capital and other general corporate purposes, all as specified in the Notice of Borrowing and in accordance with the Milestone Plan; provided, however, that at any time that the Total Leverage Ratio is greater than 6:1 as determined by reference to the financial statements delivered pursuant to SECTION 5.06, proceeds of Revolving Loans may be used only to pay transaction costs incurred in connection with the execution and delivery of the Loan Documents, to purchase Telecommunications Equipment, and to finance Permitted Acquisitions. Subject to the provisions of SECTION 2.02(d), the proceeds of the Term B Loans shall be used by the Borrowers to (i) purchase Telecommunications Equipment pursuant to the Lucent Purchase Agreement, (ii) to purchase non-Lucent Telecommunications Equipment (such Term B Loans not to exceed an aggregate amount of \$45,000,000), and (iii) to refinance the obligations of KMC III, Leasing III and Services under the Lucent Loan Agreement. Loans with respect to Telecommunications Equipment purchases may not be made to finance (i) soft costs (including installation, delivery and engineering costs) in excess of fifteen percent (15%) of the invoiced price for the related Switch Equipment or (ii) any support or installation costs associated with an operational system that would not be capitalized in accordance with GAAP.

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(b) Each Base Rate Loan shall be in a minimum principal amount of \$1,000,000 and increments of \$250,000 in excess thereof. Each LIBOR Loan shall be in a minimum principal amount of \$5,000,000 and increments of \$1,000,000 in excess thereof.

(c) In any calendar month not more than six (6) Revolving Loans may be requested, and no more than one Term B Loan may be requested.

(d) The proceeds of any Term B Loan consisting of a Cash Advance shall be used exclusively to finance or reimburse invoices for Telecommunications Equipment purchased from Lucent by KMC, KMC II or KMC III during the period commencing on the date that is twelve months prior to the Closing Date and ending on the Term B Loan Termination Date; provided, that (i) the maximum principal amount of any Term B Loan consisting of a Cash Advance shall not exceed \$100,000,000, (ii) the principal amount of all Term B Loans consisting of Cash Advances to reimburse invoices for Telecommunications Equipment purchased from Lucent during the twelve month period prior to the Closing Date ("Pre-Closing Invoices") shall not exceed \$200,000,000 in the aggregate and (iii) the Borrowers may not use the proceeds of any Term B Loan consisting of a Cash Advance to reimburse Pre-Closing Invoices after the second anniversary of the Closing Date.

SECTION 2.03. PROCEDURE FOR LOAN REQUEST AND BORROWING COMMITMENT.

(a) A Borrower requesting a Loan shall deliver to each of the Agent and the Collateral Agent a Notice of Borrowing substantially in the form of EXHIBIT H-1 attached hereto on or before 11:00 a.m. (New York time) at least five (5) Business Days prior to the date on which such Loan is requested to be made if such Loan is requested to be a LIBOR Loan and at least two (2) Business Days prior to the date on which such Loan is requested to be made if such Loan is requested to be a Base Rate Loan, which notice, once given, shall be irrevocable; provided, however, that (i) only the Collateral Agent shall receive the attachments to the Notice of Borrowing, as outlined below, (ii) if the requested Loan is a Term B Loan consisting of a Cash Advance in excess of \$50,000,000, the Notice of Borrowing shall be delivered as least seven (7) Business Days prior to the date on which such Loan is requested to be made, and (iii) the applicable Borrower(s) shall provide to Lucent simultaneously with the provision of the Notice of Borrowing to the Agent and the Collateral Agent a list of the invoices (including dollar amounts) to be financed or reimbursed with the proceeds of the requested Term B Loan. In the case of a Loan the

proceeds of which will be used to purchase or reimburse any Borrower for Telecommunications Equipment (including any Telecommunications Equipment being purchased or reimbursed under the Lucent Purchase Agreement), the Notice of Borrowing delivered to the Collateral Agent will include a schedule supporting one hundred percent (100%) of Telecommunications Equipment requested to be funded. Such schedule will detail all invoices for equipment, third party labor, permits, other third party costs and all capitalized internal costs of the Borrowers with respect to such Telecommunications Equipment permitted under GAAP. All invoices over \$25,000 will be attached to such schedule delivered to the Collateral Agent who shall review such invoices and verify that, when combined with the above described capitalized internal costs, such invoices will support at least seventy percent (70%) of the total requested funding. In addition, if the Telecommunications Equipment is being purchased or reimbursed under the Lucent Purchase Agreement, a certificate of delivery and acceptance in the form of EXHIBIT R shall be attached to the Notice of Borrowing delivered to the Collateral Agent. In the case of a Loan the proceeds of which will be used

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to pay or reimburse any Borrower for transaction costs, the Notice of Borrowing delivered to the Collateral Agent will include a copy of the invoice from the provider of the service or other appropriate supporting documentation. In the case of a Loan, the proceeds of which will be used for working capital or other general corporate purposes, the Notice of Borrowing delivered to the Collateral Agent will contain a certification that the making of such Loan does not violate any provision of either Indenture or the terms of the preferred Equity Interests of KMC Holdings. The Notice of Borrowing shall, with respect to any Loans requested, specify whether such requested Loans are to be Base Rate Loans or LIBOR Loans, and if such requested Loans are to be LIBOR Loans, the requested Interest Period for such Loans.

(b) The Agent agrees, promptly upon (i) receipt of a Notice of Borrowing and (ii) acknowledgment by the Collateral Agent that the Borrowers have delivered and the Collateral Agent has reviewed to its satisfaction (x) each of the invoices or certificates required to be provided to the Collateral Agent pursuant to SECTION 2.03(A) above and (y) each of the collateral documents, including, without limitation, all third party agreements and the related consents to collateral assignments required pursuant to SECTION 5.08 of the Loan Agreement, as requested by the Collateral Agent, to notify each Revolving or Term B Lender of the date and amount of the Loan proposed thereunder and the amount of such Lender's Pro Rata Share therein. So long as no Event of Default has occurred and is continuing and upon fulfillment of the applicable conditions set forth in ARTICLE IV, each such Lender severally agrees, on or before 12:00 P.M. (New York time) on the date of each proposed Loan, to pay into the Payment Account, an amount equal to such Lender's Pro Rata Share of such Loan in dollars and in same day funds; PROVIDED, that if a Fronting Commitment is assigned by Lucent to an Eligible Fronting Assignee, then, until Notice(s) of Borrowing are provided by the Borrowers to fully draw upon such Fronting Commitment, (i) Lucent shall not be required to make any additional Term B Loans and (ii) the amount of the Term B Loan to be made by the assignee of such Fronting Commitment pursuant to each Notice of Borrowing shall equal the amount of the Term B Loan that would have been made by such assignee pursuant to such Notice of Borrowing without giving effect to such assignment plus either (A) the amount of the Term B Loan that would have been made by Lucent pursuant to such Notice of Borrowing without giving effect to such assignment or, if less, (B) the remaining amount of such Fronting Commitment; PROVIDED FURTHER, however, that with respect to Lucent's Pro Rata Share of any Term B Loan consisting of a Credit Advance, Lucent, in lieu of making a payment into the Payment Account, shall credit the Borrowers on their applicable trade payables to Lucent in an amount equal to such Pro Rata Share. After the Agent's receipt of such Lender's Loan proceeds, the Agent shall make available such proceeds to the Borrower requesting the Loan or the Person entitled to payment thereof at the bank account(s) specified in the Notice of Borrowing on the date specified in such Notice of Borrowing in Dollars in immediately available funds.

(c) Unless the Agent has received written notice from a Lender prior to the date of any proposed Loan that such Lender will not make available to the Agent such Lender's Pro Rata Share of such Loan, the Agent may, but is not obligated to, assume that such Lender has made its Pro Rata Share of such Loan

available to the Agent on the date of such Loan in accordance with PARAGRAPH (b) above, and the Lenders may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If such Pro Rata Share is not,

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in fact, paid to Agent by such Lender when due (other than in the case of Lucent with respect to its Pro Rata Share of a Term B Loan consisting of a Credit Advance), the Agent will be entitled to recover such amount on demand from such Lender or the Borrower which received the proceeds of such Loan without set-off, counterclaim or deduction of any kind, together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent either by such Borrower or such Lender, at, (1) in the case of such Borrower, the interest rate applicable to such Loan, and (2) in the case of such Lender, the Federal Funds Effective Rate. Nothing in this SECTION 2.03(c) or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights that the Borrower may have against any Lender as a result of any default by such Lender hereunder. Without limiting the foregoing, with respect to any Lender which for any reason fails to make timely payment to the Agent of its Pro Rata Share of any Loan (other than in the case of Lucent with respect to its Pro Rata Share of a Term B Loan consisting of a Credit Advance), the Agent, in addition to other rights and remedies which it may have, shall be entitled to withhold or set off from any payments due to such Lender hereunder, an amount equal to the Pro Rata Share required to have been paid by such Lender plus interest as described above, and to withhold from such Lender any right of consent provided to such Lender by ARTICLE V or VI of this Agreement and to bring an action or suit against such Lender in a court of competent jurisdiction to recover such Pro Rata Share thereof and any related interest thereon. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's applicable Pro Rata Share of such Loan for purposes of this Agreement. If both such Lender and such Borrower shall have repaid the corresponding amount, the Agent shall promptly return to such Borrower its corresponding amount.

(d) The Borrowers commit to the Lenders to request Revolving Loans to be made during calendar year 2001 in an aggregate amount equal to the undrawn portion of the Revolving Loan Commitment Amount.

SECTION 2.04. THE NOTES. Each Borrower has executed and delivered to each Revolving Lender a Revolving Loan Note and to each Term A Lender (characterized as a "Term Lender" under the Existing Agreement) a Term A Loan Note (characterized as a "Term Loan Note" under the Existing Agreement) to evidence the Commitment of that Lender. Each Revolving Loan Note is in the principal amount of the Revolving Loan Commitment Amount of the applicable Lender, dated the "Initial Funding Date" (as defined in the Existing Agreement), shall mature on the Revolving Credit Commitment Termination Date and is substantially in the form of EXHIBIT E-1. Each Term A Loan Note is in the principal amount of the Term A Loan Commitment Amount (characterized as the "Term Loan Commitment Amount" under the Existing Agreement) of the applicable Term A Lender, dated the "Initial Funding Date" (as defined in the Existing Agreement), shall mature on the Term A Loan Termination Date (characterized as the "Term Loan Termination Date" under the Existing Agreement) and is substantially in the form of EXHIBIT E-2. Each Borrower shall execute and deliver to each Term B Lender a Term B Note to evidence the Term B Loan Commitment Amount of that Lender. Each Term B Note shall be in the principal amount of the Term B Loan Commitment Amount, dated the Closing Date, shall mature on the Term B Loan Commitment Termination Date and shall be substantially in the form of EXHIBIT E-3. The Notes payable to a Lender shall represent the

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obligation of such Borrower to pay the amount of each Lender's Revolving Loan Commitment Amount, Term A Loan Commitment Amount or Term B Loan Commitment Amount or, if less, the applicable Lender's Pro Rata Share of the aggregate

unpaid principal amount of all Loans to such Borrower and Letter of Credit Obligations incurred by such Lender together with interest thereon as prescribed in SECTION 2.05. The aggregate principal amount of all the Notes shall not exceed the aggregate Commitments of all the Lenders. The Agent is hereby authorized by such Borrower to record in the Register the date and amount of each Revolving Loan, Term A Loan or Term B Loan made to such Borrower, as applicable, and to record therein the date and amount of each payment on each Loan made to such Borrower, and such recordations shall be conclusive evidence against such Borrower of the amounts owing to the Lenders with respect to the Loans in the absence of manifest error; PROVIDED, HOWEVER, that the failure of the Agent to register any such information on such schedule shall not in any manner affect the obligation of such Borrower to repay the Loans made to such Borrower in accordance with the terms of this Agreement.

SECTION 2.05. INTEREST ON LOANS. (a) GENERAL. Subject to the provisions of SECTIONS 2.05(b), 2.06 and 2.07, each Loan shall bear interest at the rate per annum equal to (i) the Base Rate plus the Applicable Margin, computed on the basis of a 365 or 366 day year, as applicable, and the actual number of days elapsed, or (ii) the LIBO Rate plus the Applicable Margin, computed on the basis of a 360 day year, and the actual number of days elapsed, as selected by the Borrowers in the Notices of Borrowing and the Notices of Continuation/Conversion.

(b) DEFAULT INTEREST. Subject to the third sentence of this Section 2.05(b), if any Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder on its due date and such default shall continue uncured for three days, then the Borrowers shall, on demand, from the Agent, thereafter pay interest on all Loans at a rate that is four percent (4.00%) per annum above the rates of interest otherwise payable on all the Loans from the date such payment is due to the date such payment default is either cured or waived in writing by the Requisite Lenders. Subject to the next sentence, if any other Event of Default shall occur and be continuing and shall be declared by the Agent upon the direction of the Requisite Lenders, then the Borrowers shall, on demand, thereafter pay interest on all the Loans at a rate that is two percent (2.00%) per annum above the rates of interest otherwise payable on the Loans from the date of the occurrence of such Event of Default until the date such Event of Default has been cured or waived in writing by the Requisite Lenders; PROVIDED, that if an Event of Default described in the first sentence of this CLAUSE (b) shall occur at any time that an Event of Default described in this second sentence has occurred and is continuing, then the rate of interest described in the first sentence of this CLAUSE (b) shall apply. In the event that the Borrowers fail to obtain the Required Contribution on or prior to August 31, 2000, then beginning on September 1, 2000 and continuing until such time as the Required Contribution has been obtained, all of the margins set forth on SCHEDULE 1.01(a) shall be automatically increased by 100 basis points, and if any Event of Default occurs while such increased margins are in effect, and the interest rates on the Loans would be subject to increase by four percent (4.00%) per annum or two percent (2.00%) per annum, as described above, then the interest rates on the Loans

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shall instead be increased by three percent (3.00%) per annum rather than four percent (4.00%) per annum or by one percent (1.00%) per annum rather than two percent (2.00%) per annum, as applicable. After the occurrence and during the continuance of any Event of Default, the Borrowers shall be subject to the limitations on borrowings of, conversions into and continuations as LIBOR Loans set forth in SECTION 2.07(g).

SECTION 2.06. CONVERSION OR CONTINUATION. (a) Subject to the provisions of SECTION 2.07, each Borrower shall have the option (i) to convert (A) all or any part of its outstanding Term Loans or (B) all or any part of its outstanding Revolving Loans, in a minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess of that amount, from a Term Loan or Revolving Loans that are Base Rate Loans to LIBOR Term Loans or LIBOR Revolving Loans, as the case may be; (ii) to convert (A) all or any part of its outstanding Term Loan or (B) all or any part of its outstanding Revolving Loans from LIBOR Loans to Base Rate Loans on the expiration of the Interest Period applicable thereto;

and (iii) upon the expiration of any Interest Period applicable to its outstanding LIBOR Term Loan or any outstanding LIBOR Revolving Loan, to continue (A) all of such LIBOR Term Loan or (B) all or any portion of such LIBOR Revolving Loan equal to \$5,000,000 and integral multiples of \$1,000,000 in excess of that amount as a LIBOR Term Loan or LIBOR Revolving Loan, as applicable; PROVIDED, HOWEVER, that no outstanding Loans may be converted into, or continued as, LIBOR Loans when any Default or Event of Default has occurred and is continuing. Any conversion or continuation made with respect to less than the entire outstanding balance of a Borrower's Revolving Loans or Term Loans must be applied pro rata to such Borrower's Revolving Loans or Term Loans, as applicable, according to the outstanding principal balance of such Revolving Loans or Term Loans.

(b) Whenever a Borrower elects to convert or continue Loans under this SECTION 2.06, such Borrower shall deliver to the Agent a written notice substantially in the form of that attached hereto as EXHIBIT H-2 (a "NOTICE OF CONVERSION/ CONTINUATION"), signed by an authorized officer of such Borrower (i) no later than 10:00 a.m. (New York time) two (2) Business Days in advance of the requested conversion date, in the case of a conversion into Base Rate Loans, and (ii) no later than 10:00 a.m. (New York time) three (3) Business Days in advance of the requested conversion or continuation date, in the case of a conversion into, or continuation of, LIBOR Loans. The Notice of Conversion/Continuation shall specify (1) the conversion or continuation date (which shall be a Business Day), (2) the amount and type of the Loans to be converted or continued, (3) the nature of the requested conversion or continuation, and (4) in the case of a conversion into, or continuation of, LIBOR Loans, the requested Interest Period. Promptly after receipt of a Notice of Conversion/Continuation pursuant to this SECTION 2.06(b), the Agent shall notify the Revolving Lenders, the Term A Lenders or the Term B Lenders, as applicable, by telecopy, telephone or other similar form of transmission, of the requested conversion or continuation. In the event that a Borrower should fail to provide a Notice of Conversion/Continuation with respect to any LIBOR Loans as provided above, such Loans shall, on the last day of the Interest Period with respect to such Loans, convert to Base Rate Loans.

(c) Any Notice of Conversion/Continuation for conversion to, or continuation of, Loans made pursuant to this SECTION 2.06 shall be irrevocable and the applicable Borrower shall be bound to convert or continue in accordance therewith.

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SECTION 2.07. SPECIAL PROVISIONS GOVERNING LIBOR LOANS. Notwithstanding any other provisions to the contrary contained in this Agreement, the following provisions shall govern with respect to LIBOR Loans as to the matters covered:

(a) AMOUNT OF LIBOR LOANS. Each continuation of or conversion to LIBOR Term Loans, and each election of, continuation of or conversion to LIBOR Revolving Loans, shall be in a minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount.

(b) DETERMINATION OF INTEREST PERIOD. By giving notice as set forth in SECTION 2.06(b), a Borrower shall have the option, subject to the other provisions of this SECTION 2.07, to specify whether the Interest Period for such LIBOR Loan shall be a one, two, three or six month period. The determination of Interest Periods shall be subject to the following provisions:

(i) In the case of immediately successive Interest Periods, each successive Interest Period shall commence on the day on which the preceding Interest Period expires.

(ii) If any Interest Period would otherwise expire on a day which is not a Business Day, the Interest Period shall be extended to expire on the next succeeding Business Day; PROVIDED, HOWEVER, that if the next succeeding Business Day occurs in the following calendar month, then such Interest Period shall expire on the immediately preceding Business Day.

(iii) A Borrower may not select an Interest Period for any LIBOR Loan, which Interest Period expires later than the maturity date of such Loan.

(iv) A Borrower may not select an Interest Period with respect to any portion of such Borrower's Term Loans which extends beyond an installment payment date for such Term Loans unless, after giving effect to such selection, the portion of such Term Loans not subject to Interest Periods ending after such installment payment date is equal to or greater than the principal due on such installment payment date.

(v) A Borrower may not select an Interest Period with respect to any portion of such Borrower's Revolving Loans which extends beyond any date on which the Revolving Loan Commitment Amounts are scheduled to be reduced unless, after giving effect to such selection, the portion of the Revolving Loans not subject to Interest Periods ending after any such date is equal to or greater than any amount of the Revolving Loans required to be prepaid as a result of any such reduction.

(vi) There shall be no more than eight (8) Interest Periods in effect at any one time with respect to all the Loans and no more than four (4) Interest Periods in effect at any one time with respect to the Term B Loans.

(c) DETERMINATION OF INTEREST RATE. As soon as practicable after 10:00 a.m. (New York time) on the LIBOR Interest Rate Determination Date, the

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Agent shall determine (which determination shall, absent manifest error, be presumptively correct) the interest rate for the LIBOR Loans for which an interest rate is then being determined and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to the applicable Borrower. In the event that on any LIBOR Interest Rate Determination Date the Agent shall have determined (which determination shall, absent manifest error, be presumptively correct and binding upon all parties) that:

(i) adequate and fair means do not exist for ascertaining the applicable interest rates by reference to which the LIBO Rate then being determined is to be fixed; or

(ii) the LIBO Rate plus the Applicable Margin for any Interest Period for such Loans will not adequately reflect the cost to any Lender of making, funding or maintaining its LIBOR Loan for such Interest Period, the Agent shall forthwith so notify the applicable Borrower and the Lender, whereupon:

(A) each LIBOR Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan; and

(B) the obligation of the Lenders to make, or to convert Loans into, LIBOR Loans shall be suspended until the Agent shall notify the applicable Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(d) ILLEGALITY. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for any Lender to perform its obligations hereunder to make LIBOR Loans or to fund or maintain LIBOR Loans hereunder, (i) the obligation of the Lenders to make, or to convert Loans into or to continue Loans as, LIBOR Loans shall be suspended until the Agent shall notify the Borrowers and the Lenders that the circumstances causing such suspension no longer exist and (ii) the Borrowers shall on the termination of the Interest Period then applicable thereto, or on such earlier date required by law, prepay in full all LIBOR Loans then outstanding together with accrued interest thereon, or convert all such LIBOR

Loans into Base Rate Loans in accordance with SECTION 2.06.

(e) COMPENSATION. In addition to such amounts as are required to be paid by the Borrowers pursuant to the other Sections of this ARTICLE II, the Borrowers agree to compensate any Lender for all losses, expenses and liabilities, including, without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Lender's LIBOR Loans (including the Applicable Margin component thereof) to the Borrowers, which such Lender may sustain (i) if for any reason a funding of any LIBOR Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation, or a successive Interest Period does not commence after notice therefor is given pursuant to SECTION 2.06 as a result of any act or omission of any Borrower, (ii) if any voluntary or mandatory prepayment of any

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LIBOR Loans occurs for any reason on a date which is not the last scheduled day of an Interest Period, (iii) as a consequence of any required conversion of LIBOR Loans to Base Rate Loans as a result of any of the events indicated in SECTION 2.07(d), or (iv) as a consequence of any other failure by a Borrower to repay LIBOR Loans when required by the terms of this Agreement.

(f) BOOKING OF LIBOR LOANS. The Lenders may make, carry or transfer LIBOR Loans at, to, or for the account of, any of their respective branch offices or the office of any of their respective affiliates.

(g) LIBOR LOANS AFTER EVENT OF DEFAULT. Unless the Requisite Lenders shall otherwise agree, after the occurrence of and during the continuance of any Event of Default, the Borrowers may not borrow Revolving Loans or Term B Loans as LIBOR Loans or elect to have any Loans continued as, or converted to, LIBOR Loans after the expiration of any Interest Period then in effect for such Loans.

SECTION 2.08. PAYMENTS. (a) Interest on each LIBOR Loan shall be payable in arrears on each LIBOR Interest Payment Date and, if such LIBOR Loan is paid in full other than on such LIBOR Interest Payment date, on such other date. Interest on each Base Rate Loan will be payable in arrears on each Payment Date and, if such Base Rate Loan is paid in full other than on such Payment Date, on such other date.

(b) Subject to the provisions of SECTIONS 2.09 and 9.02, the outstanding principal balance of the Term A Loans made to the Borrowers shall be payable in twenty-two consecutive quarterly installments beginning on the fourteenth Payment Date (i.e. the Payment Date occurring on April 1, 2002) and continuing on each Payment Date thereafter through and including the Term A Loan Termination Date in the amounts set forth on ANNEX C hereto. Subject to the provisions of SECTIONS 2.09 and 9.02, the outstanding principal balance of the Term B Loans made to the Borrowers shall be payable in seventeen consecutive quarterly installments beginning on the nineteenth Payment Date (i.e. the Payment Date occurring on July 1, 2003) and continuing on each Payment Date thereafter through and including the Term B Loan Termination Date in the amounts set forth on ANNEX C hereto. Subject to the provisions of SECTIONS 2.09 and 9.02, the outstanding principal balance of the Revolving Loans made to the Borrowers shall be payable on the Revolving Credit Commitment Termination Date.

(c) Payments made with respect to the Loans by each Borrower shall be applied by the Agent first to unpaid and accrued fees and interest and then to the outstanding unpaid principal balance of the Loans of such Borrower; provided, however, that upon the occurrence and during the continuance of an Event of Default, all payments and prepayments with respect to the Obligations and all proceeds of Collateral shall be applied in the following order by the Agent; provided, further, that the order of priority set forth in the following clauses may be altered upon direction from the Requisite Lenders to the Agent:

(1) first, to pay Obligations in respect of any expenses then due and payable by the Borrowers to the Agents, the Lenders or any Person which is not a Lender that has issued a Letter of Credit;

(2) second, to pay Obligations in respect of any reimbursement or indemnities then due and payable to the Agents, the Lenders or any Person which is not a Lender that has issued a Letter of Credit (excluding any reimbursement obligations with respect to any Letters of Credit);

(3) third, to pay Obligations in respect of any fees due and owing to the Agent or the Collateral Agent;

(4) fourth, to pay Obligations in respect of the commitment fee and any other fees and commissions then due and owing to the Agents, the Lenders or any Person which is not a Lender that has issued a Letter of Credit;

(5) fifth, to pay Obligations in respect of any accrued and unpaid interest due in respect of Loans and Letter of Credit Obligations;

(6) sixth, to pay termination payments due and payable pursuant to any Interest Rate Agreement or hedging agreement that constitutes a Loan Document;

(7) to the ratable payment or prepayment of principal of any outstanding Loans and reimbursement obligations with respect to Letters of Credit;

(8) to provide required cash collateral, if required pursuant to SECTION 2.10(j); and

(9) to the ratable payment of all other Obligations.

SECTION 2.09. OPTIONAL AND MANDATORY PREPAYMENT OF LOANS; OPTIONAL AND MANDATORY REDUCTION OF REVOLVING LOAN COMMITMENT AMOUNT. (a) Provided that no Event of Default has occurred and is continuing, the Borrowers shall have the right upon the provision of sixty (60) days' prior written notice to the Agent, which notice, once given, shall be irrevocable, on any Payment Date with respect to any Base Rate Term Loans and on the last day of the applicable Interest Period with respect to any LIBOR Term Loans, to prepay the outstanding principal of the Base Rate Term Loans in a minimum principal amount of \$1,000,000 and increments of \$250,000 in excess thereof, or the outstanding principal of the LIBOR Term Loans in a minimum principal amount of \$5,000,000 and increments of \$1,000,000 in excess thereof, together in each case with accrued interest thereon and the aggregate Prepayment Premium applicable thereto. The amount of principal so prepaid shall be applied to the remaining principal payments of the type of Loans prepaid (i.e. Base Rate Term Loans or LIBOR Term Loans) in the inverse order of maturity.

(b) Upon the occurrence of any Event of Loss in excess of \$1,000,000 with respect to any item of Collateral that is not repaired or replaced, or any Events of Loss which, in the aggregate, exceed \$5,000,000 with respect to any item or items of Collateral that are not repaired or replaced (in each case, other than an item of Collateral no longer used or useful in the Business) such that after such repair or replacement it has a value at least equal to its value prior to the occurrence of such Event of Loss, the Borrower which suffered such

Event of Loss shall make a principal prepayment within thirty (30) days of such Event of Loss in an amount equal to the replacement value of the item of Collateral which suffered such Event of Loss, together with accrued interest thereon (but without the Prepayment Premium) with such principal payment to be applied, PRO RATA, to outstanding principal balance of the Revolving Loans and the Term Loans.

(c) In the event that any Borrower finances any Telecommunications Equipment (exclusive of soft costs that exceed fifteen percent (15%) of the invoiced price of the related Telecommunications Equipment) with a financing

source other than a Loan pursuant to this Agreement, then thirty (30) days following such financing the Revolving Loan Commitment Amounts of all the Revolving Lenders shall be reduced by the actual or imputed principal amount of any such financing, and any prepayments of the Revolving Loans required by the provisions of CLAUSE (h) below shall be accompanied by any applicable Prepayment Premium thereon.

(d) The Borrowers shall prepay the Revolving Loans and the Term Loans on a pro rata basis in a principal amount equal to (i) all of the net proceeds of any sales of assets of any Borrower other than sales in the ordinary course of business, which proceeds are not reinvested within 270 days after receipt thereof in replacement assets, plus the applicable Prepayment Premium, and (ii) the proceeds of insurance policies paid to any Borrower and not applied within 270 days after any such payment to replacing, rebuilding or restoring the Collateral which was the subject of insurance loss, without any Prepayment Premium, in each case, within five (5) days after the expiration of the applicable 270 day period.

(e) On the first Payment Date of each year, commencing in 2002, the Revolving Loan Commitment Amounts of all the Lenders shall be reduced by an amount equal to fifty percent (50%) of Excess Operating Cash Flow for the preceding fiscal year until the Borrowers have achieved and maintained for at least two consecutive fiscal quarters, a Total Leverage Ratio of less than 5:1, as determined by reference to the financial statements delivered pursuant to SECTION 5.06.

(f) Provided that no Event of Default has occurred and is continuing, commencing January 1, 2002, the Borrowers shall have the right upon the provision of thirty days' prior written notice to the Agent, which notice, once given, shall be irrevocable, on any Payment Date, to reduce the Revolving Loan Commitment Amount of all the Lenders. Each such reduction shall be in a minimum principal amount of \$1,000,000 and increments of \$250,000 in excess thereof. Any Revolving Loans that must be prepaid in connection with such reduction in the Revolving Loan Commitment Amount pursuant to CLAUSE (h) below, shall be accompanied by any applicable Prepayment Premium thereon.

(g) The Revolving Loan Commitment Amount of all the Lenders shall be reduced on each Payment Date beginning April 1, 2003 as set forth on ANNEX C hereto. In addition, in the event that at any time more than fifteen percent (15.0%) of the average outstanding principal balance of Revolving Loans during the immediately preceding 90-day period is repaid and is not reborrowed within 120 days after such repayment, then on such date, the Revolving Loan Commitment Amount of all the Lenders shall be reduced by an amount equal to such amount that was not reborrowed. Any Revolving Loans that must be prepaid in connection

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with such reduction in the Revolving Loan Commitment Amount pursuant to SECTION 2.09(h) below, shall be accompanied by any applicable Prepayment Premium.

(h) On each date that the Revolving Loan Commitment Amount is reduced, the Borrowers shall prepay first, the Revolving Loans, and second, provide to the Agent cash collateral with respect to the Letter of Credit Obligations in such amounts such that the sum of the outstanding principal balance of the Revolving Loans plus the Letter of Credit Obligations does not exceed the Revolving Loan Commitment Amount of all the Revolving Lenders after giving effect to the reduction thereof effective on such date, together with any applicable Prepayment Premium thereon. Any reduction in the Revolving Loan Commitment Amount of all the Lenders shall be allocated to each Revolving Lender based on its Pro Rata Share. All prepayments of principal shall be applied to the remaining principal payments of the type of Loans prepaid in the inverse order of maturity. The Letter of Credit Obligations shall be reduced on a dollar-for-dollar basis by the cash collateral.

(i) All mandatory prepayments of the Term Loans shall be applied to the remaining principal installments of the Term Loans in the inverse order of maturity.

SECTION 2.10. LETTERS OF CREDIT.

(a) AGREEMENT TO CAUSE ISSUANCE. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties of the Borrowers herein set forth, the Agent agrees to (1) cause Letters of Credit to be issued by Lenders who are willing to do so or (2) provide credit support or enhancement or otherwise confirm payment (any such credit support, enhancement or payment confirmation being referred to as "CREDIT SUPPORT") to banks other than Lenders, which banks are acceptable to the Agent, which issue Letters of Credit for the respective accounts of the Borrowers in accordance with this SECTION 2.10 from time to time during the term of this Agreement.

(b) AMOUNTS; OUTSIDE EXPIRATION DATE. The Agent shall not have any obligation to cause any Letter of Credit to be issued by a Lender or to provide Credit Support for any Letter of Credit at any time if: (1) the maximum undrawn face amount of the Letter of Credit is greater than the Unused Letter of Credit Subfacility; or (2) such Letter of Credit has an expiration date later than thirty (30) days prior to the Revolving Credit Commitment Termination Date, or more than one (1) year from the date of issuance.

(c) OTHER CONDITIONS. In addition to being subject to the satisfaction of the applicable conditions precedent contained in ARTICLE IV, the obligation of the Agent to cause any Letter of Credit to be issued by a Lender or to provide Credit Support for any Letter of Credit is subject to the following conditions precedent having been satisfied in a manner satisfactory to the Agent:

(1) the applicable Borrower shall have delivered to the proposed issuer of such Letter of Credit, at such times and in such manner as such proposed issuer may prescribe, an application in form and substance satisfactory to such proposed issuer for the issuance of the Letter of Credit and such other documents as may be required pursuant to the terms

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thereof, and the form and terms of the proposed Letter of Credit shall be satisfactory to the Agent and such proposed issuer; and

(2) as of the date of issuance, no order of any court, arbitrator or Governmental Authority shall purport by its terms to enjoin or restrain money center banks generally from issuing letters of credit of the type and in the amount of the proposed Letter of Credit, and no law, rule or regulation applicable to money center banks generally and no request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over money center banks generally shall prohibit, or request that the proposed issuer of such Letter of Credit refrain from, the issuance of letters of credit generally or the issuance of such Letters of Credit.

(d) ISSUANCE OF LETTERS OF CREDIT.

(1) REQUEST FOR LETTER OF CREDIT. The applicable Borrower shall give the Agent five (5) Business Days' prior written notice, containing the original signature of an authorized officer of such Borrower, of such Borrower's request for the issuance of a Letter of Credit or the provision of Credit Support for a Letter of Credit. Such notice shall be irrevocable and shall specify the original face amount of the Letter of Credit, the effective date (which date shall be a Business Day) of issuance of such proposed Letter of Credit, whether such Letter of Credit may be drawn in a single or in partial draws, the date on which such proposed Letter of Credit is to expire (which date shall be a Business Day), the purpose for which such Letter of Credit is to be issued, and the beneficiary of such Letter of Credit. The applicable Borrower shall attach to such notice the form of the proposed Letter of Credit.

(2) RESPONSIBILITIES OF THE AGENT; ISSUANCE. The Agent shall determine, as of the Business Day immediately preceding the requested effective date of issuance of the Letter of Credit set forth in the notice from the applicable Borrower pursuant to SECTION 2.10(d)(1), the amount of the applicable Unused Letter of Credit Subfacility. If (A) the undrawn

face amount of the proposed Letter of Credit is not greater than the applicable Unused Letter of Credit Subfacility, and (B) the Agent has received a certificate from such Borrower stating that the applicable conditions set forth in ARTICLE IV have been satisfied, the Agent shall cause such Letter of Credit to be issued on such proposed effective date of issuance.

(3) NOTICE OF ISSUANCE. The Agent shall promptly give each Lender written notice of the issuance of each Letter of Credit.

(4) NO EXTENSIONS OR AMENDMENT. No Letter of Credit shall be extended or amended unless the requirements of this SECTION 2.10(d) are met as though a new Letter of Credit were being requested and issued.

(e) PAYMENTS PURSUANT TO LETTERS OF CREDIT.

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(1) PAYMENT OF LETTER OF CREDIT OBLIGATIONS. The Borrowers agree to reimburse the issuer for any draw under any Letter of Credit, and the Agent, for the account of the Lenders, upon any payment pursuant to any Credit Support, immediately upon demand, and to pay the issuer of the Letter of Credit the amount of all other Obligations and other amounts payable to such issuer under or in connection with any Letter of Credit immediately when due, irrespective of any claim, set-off, defense or other right which a Borrower may have at any time against such issuer or any other Person.

(2) REVOLVING LOANS TO SATISFY REIMBURSEMENT OBLIGATIONS. In the event that the issuer of any Letter of Credit honors a draw under such Letter of Credit, or the Agent shall have made any payment pursuant to any Credit Support, and the Borrowers shall not have repaid such amount to the issuer of such Letter of Credit or the Agent, as applicable, pursuant to SECTION 2.10(e)(1), the Agent shall, upon receiving notice of such failure, notify each Revolving Lender of such failure, and each Revolving Lender shall unconditionally pay to the Agent, for the account of such issuer or the Agent, as applicable, as and when provided hereinbelow, an amount equal to such Revolving Lender's Pro Rata Share of the amount of such payment in Dollars and in same day funds. If the Agent so notifies the Revolving Lenders prior to 12:00 p.m. (New York time) on any Business Day, each Revolving Lender shall make available to the Agent the amount of such payment, as provided in the immediately preceding sentence, on such Business Day. Such amounts paid by the Revolving Lenders to the Agent shall constitute Revolving Loans which shall be deemed to have been requested by the applicable Borrower pursuant to SECTION 2.03.

(f) PARTICIPATIONS.

(1) PURCHASE OF PARTICIPATIONS. Immediately upon issuance of any Letter of Credit in accordance with SECTION 2.10(d), each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased and received without recourse or warranty, an undivided interest and participation in such Letter of Credit (if issued by a Revolving Lender) or the Credit Support provided through the Agent to such issuer in connection with the issuance of such Letter of Credit, as applicable, equal to such Revolving Lender's Pro Rata Share of the face amount of such Letter of Credit or the amount of such Credit Support (including, without limitation, all obligations of the Borrowers with respect thereto, and any security therefor or guaranty pertaining thereto).

(2) SHARING OF REIMBURSEMENT OBLIGATION PAYMENTS. Whenever the Agent receives a payment from a Borrower on account of reimbursement obligations in respect of a Letter of Credit or Credit Support as to which the Agent has previously received for the account of the issuer thereof payment from a Revolving Lender pursuant to this SECTION 2.10(f)(2), the Agent shall promptly pay to such Lender such Revolving Lender's Pro Rata Share of such payment from such Borrower in Dollars. Each such payment shall be made by the Agent on the Business Day on which the Agent receives immediately

available funds paid to such Person pursuant to the immediately preceding sentence, if received prior to 11:00 a.m. (New York time) on such Business Day and otherwise on the next succeeding Business Day.

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(3) DOCUMENTATION. Upon the request of any Revolving Lender, the Agent shall furnish to such Revolving Lender copies of any Letter of Credit, reimbursement agreement executed in connection therewith, application for any Letter of Credit and Credit Support provided through the Agent in connection with the issuance of any Letter of Credit, and such other documentation as may reasonably be requested by such Revolving Lender.

(4) OBLIGATIONS IRREVOCABLE. The obligations of each Revolving Lender to make payments to the Agent with respect to any Letter of Credit or with respect to any Credit Support provided through the Agent with respect to a Letter of Credit, and the obligations of the Borrowers to make payments to the Agent, for the account of the Revolving Lenders, shall be irrevocable, not subject to any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement (assuming, in the case of the obligations of the Revolving Lenders to make such payments, that the Agent has provided Credit Support for such Letter of Credit in accordance with the terms of SECTION 2.10(d)), including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(ii) the existence of any claim, set-off, defense or other right which a Borrower may have at any time against a beneficiary named in a Letter of Credit or any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), any Lender, the Agent, the Collateral Agent, the issuer of such Letter of Credit, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transactions between a Borrower or any other Person and the beneficiary named in any Letter of Credit);

(iii) any draft, certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents; or

(v) the occurrence of any Default or Event of Default.

(g) RECOVERY OR AVOIDANCE OF PAYMENTS. In the event any payment by or on behalf of a Borrower received by the Agent with respect to a Letter of Credit or Credit Support provided for any Letter of Credit (or any guaranty by a Borrower or reimbursement obligation of a Borrower relating thereto) and distributed by the Agent to the Revolving Lenders on account of their respective participations therein, is thereafter set aside, avoided or recovered from the Agent in connection with any receivership, liquidation or bankruptcy proceeding,

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the Revolving Lenders shall, upon demand by the Agent, pay to the Agent their respective Pro Rata Shares of such amount set aside, avoided or recovered, together with interest at the rate required to be paid by the Agent upon the amount required to be repaid by it.

(h) COMPENSATION FOR LETTERS OF CREDIT.

The Borrowers agree to pay the fees set forth in SECTION 2.11 with respect to any Letters of Credit.

(1) INDEMNIFICATION; EXONERATION.

(1) INDEMNIFICATION. In addition to amounts payable as elsewhere provided in this SECTION 2.10, the Borrowers hereby agree to protect, indemnify, pay and save the Lenders and the Agent harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) which any Lender or the Agent may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit or the provision of any Credit Support in connection therewith. The agreements contained in this SECTION 2.10(i)(1) shall survive the payment in full of the Obligations.

(2) ASSUMPTION OF RISK BY THE BORROWERS. As among the Borrowers, the Lenders and the Agent, each Borrower assumes all risks of the acts and omissions of, or misuse of any of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Lenders and the Agent shall not be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any Person in connection with the application for and issuance of and presentation of drafts with respect to any of the Letters of Credit, even if it should prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (C) the failure of the beneficiary of any Letter of Credit to comply duly with conditions required in order to draw upon such Letter of Credit; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) errors in interpretation of technical terms; (F) any loss or delay in the transmission or otherwise of any document required in order make a drawing under any Letter of Credit or of the proceeds thereof; (G) the misapplication by the beneficiary of any Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (H) any consequences arising from causes beyond the control of the Lenders or the Agent, including, without limitation, any act or omission, whether rightful or wrongful, of any present or future de jure or de facto Governmental Authority. None of the foregoing shall affect, impair or prevent the vesting of any rights or powers of the Agent or any Lender under this SECTION 2.10(i).

(3) EXONERATION. In furtherance and extension, and not in limitation, of the specific provisions set forth above, any action taken or omitted by the Agent or any Lender under or in connection with any of

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the Letters of Credit or any related certificates, if taken or omitted in good faith, shall not put the Agent or any Lender under any resulting liability to any Borrower or relieve any Borrower of any of its obligations hereunder to any such Person.

(j) SUPPORTING LETTER OF CREDIT; CASH COLLATERAL. If, notwithstanding the provisions of SECTION 2.10(b), any Letter of Credit is outstanding upon the termination of this Agreement, then upon such termination the Borrowers shall cause the termination of such Letter of Credit. If, at the Agent's election, any such Letter of Credit remains outstanding, then the Borrowers shall deposit with the Agent, for the ratable benefit of the Agent and the Revolving Lenders, with respect to each Letter of Credit then outstanding, as the Agent shall specify, either (A) a standby letter of credit (a "SUPPORTING LETTER OF CREDIT") in form and substance satisfactory to the Required Revolving Lenders, issued by an issuer satisfactory to the Agent in an amount equal to the greatest amount for which such Letter of Credit may be drawn, plus any fees and expenses associated with such Letter of Credit, under which Supporting Letter of Credit the Agent is entitled to draw amounts necessary to reimburse the Agent

and the Revolving Lenders for payments made by the Agent and the Revolving Lenders under such Letter of Credit or under any Credit Support provided through the Agent with respect thereto and any fees and expenses associated with such Letter of Credit, or (B) cash in amounts necessary to reimburse the Agent and the Revolving Lenders for payments made by the Agent or the Revolving Lenders under such Letter of Credit or under any Credit Support provided through the Agent with respect thereto, and any fees and expenses associated with such Letter of Credit. Such Supporting Letter of Credit or deposit of cash shall be held by the Agent, for the ratable benefit of the Agent and the Revolving Lenders, as security for, and to provide for the payment of, the aggregate undrawn face amount of such Letters of Credit remaining outstanding.

SECTION 2.11. FEES. (a) The Borrowers shall pay and the Borrowers shall be jointly and severally liable to the Agent for the account of the Revolving Lenders for payment of a nonutilization fee calculated on a per annum basis and equal to the percentage corresponding to the criteria set forth below of the average drawn portion of the Revolving Loan Commitment Amount for the quarterly period preceding a Payment Date, which fee shall be payable on each Payment Date following such last day of a quarter beginning on the Payment Date following the "Initial Funding Date" (as defined in the Existing Agreement) until and including the Payment Date following the Revolving Credit Commitment Termination Date:

Average Drawn Portion of Revolving Loan Commitment Amount for the Quarterly Period Preceding a Payment Date	Percentage
Less than or equal to \$58,333,333	1.25%
Greater than \$58,333,333 and less than or equal to \$116,666,666	1.00%
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Greater than \$116,66,666 and less than or equal to \$175,000,000	0.75%

In the event that at any time the Borrowers fail to comply with the requirements of SECTION 2.03(d) for any calendar year, each of the above described nonutilization fees shall be increased by 100 basis points for the entire such calendar year with payment of such increment in the nonutilization fee being due and payable not later than the last Business Day of such calendar year.

(b) The Borrowers shall pay and the Borrowers shall be jointly and severally liable to the Agent for the account of the Term B Lenders for payment of a commitment fee calculated on a per annum basis and equal to one and one-half percent (1.50%) of the average of the unused Term B Loan Commitment Amount for the quarterly period preceding a Payment Date, which fee shall be payable on each Payment Date following such last day of a quarter beginning on the Payment Date following the Closing Date until and including the Payment Date following the Term B Loan Commitment Termination Date.

(c) The Borrowers shall pay the Agent and the Collateral Agent and shall be jointly and severally liable to the Agent and the Collateral Agent, respectively, for payment of an annual administration fee and a collateral monitoring fee at the times and in the amounts set forth in the Fee Letters.

(d) The Borrowers shall on the Closing Date pay the Agent for the ratable benefit of the Revolving Lenders and the Term A Lenders an amendment fee of \$1,250,000 and any fee then due under the fee letter dated as of February 14, 2000 between the Borrowers and Lucent.

(e) The Borrowers shall pay and the Borrowers shall be jointly and

severally liable to the Agent (i) for the account of the Revolving Lenders for payment in arrears on each Payment Date of a fee equal to equal to the product of the Applicable Margin in effect with respect to LIBOR Loans for the preceding calendar quarter on an annualized basis, multiplied by the average Letter of Credit Obligations outstanding during such calendar quarter, and (ii) for the account of any Person which issues any Letter of Credit, for payment in arrears on each Payment Date of a fee equal to (A) the product of one-eighth percent (0.125%) per annum multiplied by the average face amount of Letters of Credit issued by such Person and outstanding during the preceding calendar quarter, and (B) if such Person is not a Lender, any additional fees as may be charged by such Person in connection with the issuance or maintenance of such Letter of Credit.

(f) All fees once paid shall be nonrefundable.

SECTION 2.12. MANNER OF PAYMENT; SPECIAL TAX CONSIDERATIONS. (a) All payments by the Borrowers hereunder and under the Notes shall be made to the Agent by wire transfer or other electronic payment method to the Payment Account or to such bank account as the Agent may designate, for the account of the Lenders in Dollars in immediately available funds by 11:00 a.m., New York time, on the date on which such payment shall be due. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or other fees ratably (other than amounts payable pursuant to SECTION 2.14) to each Lender in accordance with SECTION 10.07 hereof.

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Interest in respect of any Loan hereunder shall accrue from the day such Loan is made up to and including the day prior to the date on which such Loan is paid in full. Payments received after 12:00 p.m. shall not be given credit until the next Business Day, and the Borrowers shall be liable for interest, if any, accruing on such payment until the next Business Day.

(b) (1) Any and all payments by each Borrower hereunder shall be made free and clear of and without deduction for any and all Taxes. If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the other Loan Documents to any Lender or Agent, (A) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this SECTION 2.12) such Lender or Agent receives an amount equal to the sum it would have received had no such deductions been made, (B) such Borrower shall make such deductions, and (C) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If a withholding tax of the United States of America or any other Governmental Authority shall be or become applicable (y) after the date of this Agreement, to the payments by any Borrower made to the Lending Office or any other office that a Lender may claim as its Lending Office, or (z) after such Lender's selection and designation of any other Lending Office, to such payments made to such other Lending Office, such Lender shall use reasonable efforts to make, fund and maintain its Loans through another Lending Office of such Lender in another jurisdiction so as to reduce, but not increase, the applicable Borrower's liability hereunder, if the making, funding or maintenance of such Loans through such other Lending Office of such Lender does not, in the judgment of such Lender, otherwise materially adversely affect such Loans; such Lender's obligations under its Commitment or such Lender. Notwithstanding anything to the contrary hereunder, if a Person becomes a Lender under this Agreement pursuant to SECTION 11.08 hereof, the Borrowers shall in no event be required to increase any payment pursuant to paragraph (b) of this SECTION 2.12 by an amount that would exceed the amount of any increase that would be required to be made under paragraph (b) of this SECTION 2.12 to the assigning Lender.

(2) The Borrowers will jointly and severally indemnify each Lender and the Agents and hold them harmless for the full amount of Taxes (including, without limitation, any Taxes imposed by any Governmental Authority on amounts payable under this SECTION 2.12 or any other documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement or any other Loan Document) paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest,

and expenses) arising therefrom or with respect thereto. This indemnification shall be made within thirty (30) days after the date such Lender or the Agent (as the case may be) makes written demand therefor. A certificate as to any additional amount payable to any Lender or the Agent under this SECTION 2.12 submitted to the Borrowers and the Agent (if a Lender is so submitting) by such Lender or the Agent shall show in reasonable detail the amount payable and the calculations used to determine such amount. With respect to such deduction or withholding for or on account of any Taxes and to confirm that all such Taxes have been paid to the appropriate Governmental Authorities, the applicable Borrower shall promptly (and in any event not later than thirty (30) days after

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receipt) furnish to each Lender and the Agent such certificates, receipts and other documents as may be required (in the judgment of such Lender or the Agent) to establish any tax credit to which such Lender or the Agent may be entitled.

(3) Within thirty (30) days after the date of any payment of Taxes on amounts payable hereunder by any Borrower, such Borrower will furnish to the Agent, at its address referred to in SECTION 11.01, the original or a certified copy of a receipt evidencing payment thereof.

(4) Without prejudice to the survival of any other agreement of any Borrower hereunder, the agreements and obligations of such Borrower contained in this SECTION 2.12 shall survive the payment in full of principal and interest hereunder and the termination of this Agreement.

(5) Without limiting the obligations of the Borrowers under this SECTION 2.12, each Lender that is not created or organized under the laws of the United States of America or a political subdivision thereof shall deliver to the Borrowers and the Agent on or before the effective date hereof, or, if later, the date on which such Lender becomes a Lender pursuant to SECTION 11.08 hereof, a true and accurate certificate executed in duplicate by a duly authorized officer of such Lender, in a form satisfactory to the Borrowers and the Agent, to the effect that (A) such Lender is capable under the provisions of an applicable tax treaty concluded by the United States of America (in which case the certificate shall be accompanied by two original, executed copies of Form 1001 of the IRS or any successor form) or under Section 1442 of the IRC (in which case the certificate shall be accompanied by two original, executed copies of Form 4224 of the IRS or any successor form) of receiving payments of interest hereunder exempt from or at a reduced deduction or withholding of United States federal income tax or (B) if such Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the IRC and intends to claim exemption from U.S. federal withholding tax under Section 871(h) or Section 881(c) of the IRC with respect to payments of "portfolio interest", (i) that such Lender is not a "bank" within the meaning of Section 881(c) of the IRC, is not a ten percent (10%) shareholder (within the meaning of Section 871(h)(3)(B) of the IRC) of any Borrower and is not a controlled foreign corporation related to any Borrower (within the meaning of Section 864(d)(4) of the IRC), (ii) that such Lender claims complete exemption from U.S. federal withholding tax on payments of interest by the Borrowers under this Agreement and the other Loan Documents and (iii) that such Lender has received in replacement of any Note held by or assigned to it, a "QFL Note" (as defined below) in accordance with this SECTION 2.12(b). Each such Lender further agrees to deliver to the Borrowers and the Agent from time to time a true and accurate certificate executed in duplicate by a duly authorized officer of such Lender substantially in a form satisfactory to the Borrowers and the Agent, before or promptly upon the occurrence of any event requiring a change in the most recent certificate previously delivered by it to the Borrowers and the Agent pursuant to this SECTION 2.12(b)(5). Further, each Lender which delivers a certificate accompanied by Form 1001 of the IRS (or any successor form or forms required under the IRC or the applicable regulations promulgated thereunder) covenants and agrees to deliver to the Borrowers and the Agent within fifteen (15) days prior to January 1, 1999, and every third anniversary of such date thereafter, on which this Agreement is still in effect, another such certificate and two accurate and complete original signed copies of Form 1001 (or any successor form or forms required under the IRC or the applicable regulations promulgated thereunder), and each Lender that delivers a certificate accompanied by Form 4224 of the IRS (or any successor form or forms

required under the IRC or the applicable regulations promulgated thereunder) covenants and agrees to deliver to the Borrowers and the Agent within fifteen (15) days prior to the beginning of each subsequent taxable year of such Lender during which this Agreement is still in effect, another such certificate and two accurate and complete original signed copies of IRS Form 4224 (or any successor form or forms required under the IRC or the applicable regulations promulgated thereunder). Each such certificate shall certify as to one of the following:

(a) that such Lender is capable of receiving payments of interest hereunder exempt from or at a reduced deduction or withholding of United States of America federal income tax;

(b) that such Lender is not capable of receiving payments of interest hereunder exempt from or at a reduced deduction or withholding of United States of America federal income tax as specified therein but is capable of recovering the full amount of any such deduction or withholding from a source other than the Borrowers and will not seek any such recovery from the Borrowers; or

(c) that, as a result of the adoption of or any change in any law, treaty, rule, regulation, guideline or determination of a Governmental Authority or any change in the interpretation or application thereof by a Governmental Authority after the date such Lender became a party hereto, such Lender is not capable of receiving payments of interest hereunder without deduction or withholding of United States of America federal income tax as specified therein and that it is not capable of recovering the full amount of the same from a source other than the Borrowers.

Each Lender shall promptly furnish to the Borrowers and the Agent such additional documents as may be reasonably required by the Borrowers or the Agent to establish any exemption from or reduction of any Taxes required to be deducted or withheld and which may be obtained without undue expense to such Lender

(6) For a period with respect to which a Lender has failed to provide the Agent and the Borrowers with the appropriate form described in this SECTION 2.12(b)(5) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under this SECTION 2.12 with respect to Taxes imposed by the United States by reason of such failure; PROVIDED, HOWEVER, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrowers shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(7) Any Lender that is not a "bank" within the meaning of Section 881(c)(3)(A) of the IRC and satisfies the applicable requirements of SECTION 2.12(b)(5) (a "Qualified Foreign Lender") shall upon receipt of the written request of the Agent or the Borrowers and may, upon its own written request to the Agent, exchange any Note held by or assigned to it for a qualified foreign lender Note (a "QFL Note"). A QFL Note shall be in the form of the applicable

Note attached as Exhibit E-1, E-2 or E-3 but shall contain the following legend: "This Note is a QFL Note, and as such, ownership of the obligation represented by such QFL Note may be transferred only in accordance with Section 2.12 of the Loan and Security Agreement." Any QFL Note issued in replacement of any existing Note pursuant to this Section shall be (i) dated the date of such existing Note, (ii) issued in the name of the Borrowers and (iii) issued in the same principal amount as such existing Note. Any Note replaced pursuant to this Section is sometimes referred to herein as a "Replaced Note".

(8) The Borrowers agree that, upon the request of or delivery of a request to a Qualified Foreign Lender pursuant to paragraph (7) of this SECTION

2.12(b), they shall execute and deliver a QFL Note to the Agent in replacement of the Replaced Note surrendered in connection with such request conforming to the requirements of this paragraph. Each Qualified Foreign Lender shall surrender its Note in connection with any replacement, of a QFL Note and the existing Note to be replaced by such QFL Note in accordance with this paragraph, the Agent shall forward the QFL Note to the Lender which has surrendered its Note for replacement by such QFL Note and shall forward the surrendered Note to the Borrowers marked "canceled". Once issued, QFL Notes (i) shall be deemed to and shall be "Notes" for all purposes under the Loan Documents, (ii) may not be exchanged for Notes which are not QFL Notes, notwithstanding anything to the contrary in the Loan Documents and (iii) shall at all times thereafter be QFL Notes, including, without limitation, following any transfer or assignment thereof.

(9) Notwithstanding anything to the contrary in the Loan Documents, the QFL Notes are registered obligations as to both principal and interest with the Borrowers and transfer of the obligations underlying such QFL Note may be effected only by surrender of the QFL Note to the Borrowers and either reissuance by the Borrowers of such QFL Note to the transferee or issuance by the Borrowers of a new QFL Note to the transferee. A QFL Note shall only evidence a Lender's or an assignee's right, title and interest in and to the related obligation, and in no event is a QFL Note to be considered a bearer instrument or obligation. This SECTION 2.12 shall be construed so that the obligations underlying the QFL Notes are at all times maintained in "registered form" within the meaning of Sections 871(h)(2) and 881(c)(3) of the IRC.

(c)(1) If a Borrower pays any additional amount under this SECTION 2.12 and, as a result, any Lender, together with the Agent, subsequently, in their sole discretion and based on their own interpretation of any relevant laws (but acting in good faith) receive or are granted a final and non-appealable credit against or deduction from or in respect of any tax payable by such Lender, or obtain any other final and non-appealable relief in respect of any tax, which in the opinion of such Lender and the Agent, acting in good faith, is both reasonably identifiable and quantifiable by them without requiring any Lender, the Agent or their professional advisers to expend a material amount of time or incur a material cost in so identifying or quantifying (any of the foregoing, to the extent so reasonably identifiable and quantifiable, being referred to as a "SAVING"), such Lender shall, to the extent that it can do so without prejudice to the retention of the Saving, reimburse such Borrower promptly after such identification and quantification with the amount of such Saving; PROVIDED, HOWEVER, that any such Saving shall be reduced by any costs incurred by such Lender or the Agent in obtaining such Saving.

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(2) Nothing in this SECTION 2.12(c) shall require any Lender to disclose to any Person any information regarding its tax affairs or to arrange its tax and other affairs in any particular manner.

SECTION 2.13. MAXIMUM LAWFUL INTEREST RATE. Notwithstanding any provision contained herein, the total liability of the Borrowers for payment of interest pursuant hereto and the Notes, including any other charges or other amounts, to the extent such charges and other amounts are deemed to be interest, shall not exceed the maximum amount of such interest permitted by law to be charged, collected, or received from the Borrowers (the "MAXIMUM RATE"). If any payments by any Borrower for the account of any Lender include interest in excess of the Maximum Rate, such Lender shall apply such excess to the reduction of the unpaid principal amount owing by such Borrower, or if none is due, such excess shall be returned to such Borrower.

SECTION 2.14. FUNDING ISSUES. (a) INCREASED COSTS. If, due to either (i) the introduction after the date hereof of, or any change after the date hereof in or in the interpretation of, any applicable law, rule or regulation by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof or (ii) compliance by any Lender after the date hereof with any final request or final directive issued after the date hereof (whether or not having the force of law) by any such Governmental Authority, central bank or comparable agency, and, as a result of any of the

events set forth in the above clauses (i) and (ii), (x) there shall be any increase in the cost to such Lender in maintaining its Commitment under this Agreement or funding or maintaining its Pro Rata Share of the Loans under this Agreement, or (y) any Lender is subjected to any charge or withholding on its obligations hereunder, or changes in the basis of taxation of payments to any Lender in connection with any of the foregoing (except for changes in the rate of tax on overall net income of any Lender) (collectively, "INCREASED COSTS"), then the Borrowers shall, from time to time, pay, to the Agent for the benefit of such Lender within 15 days after such Lender shall have provided notice to the Agent (and the Agent shall have provided notice to the Borrowers) of such Increased Cost, an amount sufficient to compensate such Lender for such Increased Cost, as provided herein. A certificate setting forth in reasonable detail the computation of the amount of such Increased Cost (which increase in cost shall be determined by such Lender's reasonable allocation of the aggregate of such cost increases resulting from such event), submitted to the Borrowers by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) INCREASED CAPITAL. If any Lender which is subject to minimum capital requirements determines that compliance by such Lender, with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender, or any corporation controlling such Lender, and such Lender reasonably determines that the amount of such capital is increased by or based upon any commitment to lend hereunder or making or maintaining Loans, its commitment to participate (as provided for in SECTION 2.10(f)) in any Letter of Credit or any Credit Support provided through the Agent in connection with the issuance of any Letter of Credit, or other commitments of this type, then, upon demand by such Person, the Borrowers agree to, within five (5) days of such demand, pay to such Person, from time to time as specified by such Person, additional amounts sufficient to compensate

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such Person in the light of such circumstances, to the extent that such Person reasonably determines such increase in capital to be allocable to such Person's commitment or maintenance of Loans hereunder or such Person's commitment to participate in any Letter of Credit or Credit Support. A certificate as to the amount of such increased cost, submitted to the Borrowers by the applicable Person shall, absent manifest error, be conclusive and binding on the Borrowers for all purposes.

(c) REPLACEMENT OF LENDER. If any Borrower, as a result of the requirements of either SECTION 2.14(a) or SECTION 2.14(b), shall be required to pay any particular Lender (an "AFFECTED LENDER") the additional amounts referred to in such Section, which costs are not imposed by the other Lenders, and such additional amounts are material, then such Borrower shall be entitled to either prepay such Affected Lender without any Prepayment Premium but with any payments required by SECTION 2.07(e), or find a replacement Lender, reasonably acceptable to the Agents (the Agents' consent to such replacement Lender not to be unreasonably withheld), to replace the Affected Lender. The Affected Lender and the replacement Lender shall execute an Assignment Agreement with respect to all of the Affected Lender's Commitments and all Loans owing to the Affected Lender and comply with the other provisions of SECTION 11.08(c). Upon the payment by the replacement Lender to the Affected Lender of the then outstanding principal amount of Loans owing to the Affected Lender, together with accrued interest thereon, and the payment by the Borrower to the Affected Lender of any compensation required with respect to LIBOR Loans pursuant to SECTION 2.07(e), the replacement Lender shall succeed to all of the Affected Lender's rights and obligations under this Agreement and the other Loan Documents.

SECTION 2.15. JOINT AND SEVERAL LIABILITY; CONTRIBUTION. (a) Notwithstanding anything to the contrary in this Agreement or the other Loan Documents, all payment and performance Obligations arising under this Agreement and the other Loan Documents shall be joint and several obligations of each Borrower secured by all the Borrowers' Collateral. The Agent and the Collateral Agent may apply any portion of any Borrower's Collateral to satisfy any of the Obligations of any other Borrower.